



Prime Minister

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PRIME MINISTERN H S Pay

Following the meeting on the lessons of the Civil Service dispute, you have arranged to have a talk with the Chancellor of the Exchequer, the Secretary of State for Social Services and the Secretary of State for Employment about Mr Fowler's minute of 24 February on NHS pay.

Tom

BACKGROUND

2. You will recall that, when you last discussed NHS pay with the Ministers mainly concerned on 4 February, there were several points at issue:

- a. the need to defer announcing the NHS offer so as to avoid prejudicing the reception of the Government's offer to the Civil Service;
- b. the problem of accommodating a pay offer to the NHS in excess of 4 per cent within the cash limit;
- c. the need to get away from a flat rate offer, even for those groups such as the nurses which were to have more generous treatment;
- d. the treatment of NHS groups other than the nurses.

3. The points at a. and b. are no longer in dispute. On a. you have agreed that the offer to the NHS can be announced on 8 March prior to the meeting of the Nurses and Midwives Whitley Council the following day. On b. the Treasury have agreed, and you have approved, that one-third of the cost of the increased pay awards should be met from savings by the health authorities primarily through increased efficiency, leaving an excess of £67 million above the cash limit which would have to be met from the contingency reserve.



MAIN ISSUES

4. The main issues to be resolved are therefore those at points c. and d. above, ie whether Mr Fowler has gone far enough in meeting your wish that we should get away from flat rate offers, and whether, as he proposes, no NHS group should be offered less than 4 per cent.

Varied offer v. flat rate offer

5. You have already agreed that the nurses, midwives and professions supplementary to medicine should be offered 6.4 per cent. Within the total however you have argued that the senior nurses should get less. In his minute of 24 February Mr Fowler says that he will be urging all chairmen of Whitley Council management sides, both those which are being held to 4 per cent and those which are not, to consider using the money at their disposal in a selective way. He cannot however guarantee what the outcome will be. He stresses that the structure of a pay offer is a matter for the Whitley Council management side concerned and that he has no power to direct them.

6. There is indeed, as Mr Fowler says, a real difficulty in the Government's seeking to determine the detailed structure of the pay offers made to the various NHS groups. You will however wish to probe carefully whether Mr Fowler is going as far as he reasonably can in indicating where, in the Government's view, the extra funds might best be deployed. He says that he will make clear to the chairmen "what our attitude is". You will wish to ask him what he has in mind to say and then to consider whether this goes far enough.

Treatment of groups other than nurses

7. Apart from the issue of varying the offer within groups, there remains the question of how far offers in excess of 4 per cent should be made to groups other than the nurses, and whether indeed some groups should receive less than 4 per cent. Of the one million or so NHS employees, the treatment of some 600,000 is no longer in dispute, but the offers to be made to the remaining 400,000 have still to be settled. The position is summarised in the following table:



Groups for which treatment has been agreed

Nurses and midwives	450,000 approx	
Professions supplementary to medicine	25,000	
Doctors and dentists	96,000	(awaiting outcome of Doctors and Dentists Review Body)
Maintenance workers	20,000	(in effect the offer to electricians, craftsmen etc is determined by national negotiations for these trades)

Groups for which treatment still to be decided

Ambulancemen	17,000	—
Hospital pharmacists	3,000	—
Ancillary workers	211,000	—
Administrative, clerical and secretarial	121,000	—

8. Mr Fowler's proposals for the groups for which treatment has not yet been finally decided are that the ambulancemen and pharmacists should get 5 per cent and that all the rest should get 4 per cent. The question is whether this package of proposals is consistent with the policy set out in the announcement about public expenditure cash factors on 15 September 1981: "the pay factor does not imply that all public service pay increases will or should be 4 per cent. Some may be less, and some may be more.". In the light of this should the increases in excess of 4 per cent agreed for the nurses etc be balanced by offers of less than 4 per cent for some other groups?

9. So far as the ambulancemen are concerned Mr Fowler has argued in his minute of 24 February that there is already difficulty because of the generous treatment given to the police and firemen, that there is a risk of industrial action, and that the proposed small excess over 4 per cent would bring management advantages in reducing the need for special payments for out of hours work. There is also a management argument in respect of the hospital pharmacists where the extra sum would be used to permit on-call payments for emergency work. You may feel that, in respect of both these groups, a respectable case has been made out for the small excess over the 4 per cent pay factor.



10. The main difficulty therefore arises over the ancillaries and the administrative, clerical and secretarial workers who together amount to nearly a third of all NHS employees. In his minute of 24 February Mr Fowler discusses only the ancillaries. He explains that there is already a problem because of the traditional link with local authority manual workers who have already received 6.9 per cent. In the case of the administrative, clerical and secretarial staff, to which he does not refer, there has been a traditional link with the Civil Service. Although this was broken last year, the argument may be that this group of staff should get 4 per cent, the same as the overall value of the offer made by the Government to the non-industrial Civil Service.

11. There would clearly be some presentational advantage to the Government if the offer to both of these groups was somewhat less than 4 per cent, eg around $3\frac{1}{2}$ per cent like the offer made to the teachers. It is however unlikely that either group would settle for such a low figure. Mr Fowler may argue that an initial offer of less than 4 per cent could be seen as provocative and lead to a higher settlement in the end. The decision therefore mainly turns on a judgement of the way the NHS package as a whole may be viewed publicly and tactical considerations about the negotiations with the ancillaries and the administrative, clerical and secretarial staff.

HANDLING

12. You will wish to ask the Secretary of State for Social Services to go over the points in his minute of 24 February and then to invite the comments of the Chancellor of the Exchequer and the Secretary of State for Employment on the issues which remain to be settled.

CONCLUSIONS

13. You will wish to reach conclusions on the following points:

- i. how far the Secretary of State for Social Services should go in giving guidance to the Whitley Council management sides about the structure of offers to each group of staff;



- ii. whether the ambulancemen and pharmacists should get more than 4 per cent; ←
- iii. whether the initial offers to the ancillary staff and to the ambulancemen, clerical and secretarial staff should be 4 per cent, or slightly less than 4 per cent.

PLG

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1 March 1982